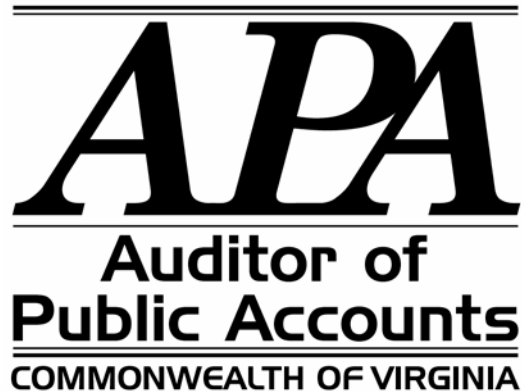


**REPORT TO THE
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION**

**FOR THE QUARTER
APRIL 1, 2004 TO JUNE 30, 2004**



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Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

July 9, 2004

The Honorable Lacey E. Putney, Chairman
and
Members, Joint Legislative Audit and Review Commission
General Assembly Building
Capitol Square
Richmond, Virginia 23219

This transmits our quarterly summary of reports issued for the period April 1, 2004 through June 30, 2004.

The *Executive Summary* includes reports that may be of special interest to the members of the Commission. We have included a report in the summary for the sole purpose of bringing to your attention matters of significance. These summaries do not include all findings within a report or all reports with findings.

I would like to call to your attention the Secretary of Public Safety Agencies' Original and Final Operating Budgets Report, which represents a change in the reporting format that we are using to show financial information. The report takes the information from the Appropriation Act and shows the information as the agency's operating budget.

The *Summary of Reports Issued* lists all reports released during the quarter and shows reports that have audit findings.

We will be happy to provide you, at your request, any reports in their entirety or you can find all reports listed in this document at our website <http://www.apa.state.va.us/reports.htm>. We welcome any comments concerning this report or its contents.

Sincerely,

A handwritten signature in black ink, appearing to read "Walter J. Kucharski".

Walter J. Kucharski
Auditor of Public Accounts

WJK:whb

EXECUTIVE SUMMARY

SECRETARY OF PUBLIC SAFETY AGENCIES' ORIGINAL AND FINAL OPERATING BUDGETS

This report represents a change in the reporting format that we are using to show financial information. The report takes the information from the Appropriation Act and shows the information as the agency's operating budget. Following is the Executive Summary from the report and as an example of the report contents, we have include the information for the Secretary of Public Safety.

This report summarizes fiscal year 2003 budget changes for the eleven agencies under the Secretary of Public Safety. The report includes original budget information for each agency as well as changes to the budget during the year and actual results.

The combined budget for agencies in this area totals approximately \$1.96 billion. General fund appropriations are the primary fund source in the public safety area, totaling a little over \$1.3 billion, or 68 percent of the funding. In addition to this report, we have or will be issuing reports on the some of the individual agencies listed below. These separate reports contain additional information on the departments' expenses and other use of funds or other matters.

The report contains more detailed information on each of the following agencies in the public safety area:

Secretary of Public Safety

- Commonwealth's Attorney's Services Council
- Department of Alcoholic Beverage Control
- Department of Correctional Education
- Department of Corrections
- Department of Criminal Justice Services
- Department of Emergency Management
- Department of Fire Programs
- Department of Juvenile Justice
- Department of Military Affairs
- Department of State Police
- Virginia Parole Board

Secretary of Public Safety

The Secretary of Public Safety assists the Governor in the management and direction of state government. The Secretary provides guidance to the eleven agencies in the public safety secretariat. The following schedules provide information on the Secretary's operating budget and expenses for fiscal year 2003.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING SOURCE

<u>Funding Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
General Fund Appropriations	<u>\$ 674,264</u>	<u>\$ 649,082</u>	<u>\$ 649,082</u>
Total Resources	<u>\$ 674,264</u>	<u>\$ 649,082</u>	<u>\$ 649,082</u>

ANALYSIS OF BUDGETED AND ACTUAL EXPENSES BY PROGRAM

<u>Program</u>	<u>Program Expenses</u>			<u>Funding Sources</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>General Fund</u>
Administrative and Support Services	\$ 725,914	\$ 649,082	\$ 646,510	\$ 646,510
Executive Management Savings	<u>(51,650)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Uses	<u>\$ 674,264</u>	<u>\$ 649,082</u>	<u>\$ 646,510</u>	<u>\$ 646,510</u>

Note 1: Budget reductions were reported in Chapter 899 as Executive Management Savings. These reductions were allocated to the Administrative and Support Services program in the final budget.

The Secretary's original budget included a budget reduction of \$51,650, approximately a 7 percent reduction. The Secretary's budget underwent a further reduction of approximately \$77,000, of which \$23,000 was for retirement contribution rate reductions and the remainder was additional budget cuts announced by the Governor in October 2002. The Secretary's office subsequently received a \$50,000 supplemental appropriation in May 2003 for unanticipated expenses. Overall, the net decrease to the Secretary's original budget was approximately \$25,000.

STATEWIDE REVIEW OF AGENCY-OWNED VEHICLES

The Commonwealth owns over 20,000 vehicles having an average cost of \$23,443 and representing an investment of over \$468 million. Further, the Commonwealth spends on average \$100 million each fiscal year buying vehicles, gas, and maintenance and paying state employees for driving their vehicles on state business.

The Commonwealth's general vehicle policies and procedures covering usage and management are subject to misinterpretation and provide only limited oversight of agency-owned passenger vehicles. Also, there are no general policies and procedures governing non-passenger vehicles such as SUVs and pick-up trucks.

Most agencies do not have adequate policies and procedures or adequately track and record information over vehicle purchase, assignment, use, and maintenance. As a result, we could not determine whether the Commonwealth's agencies and institutions are efficiently purchasing, using, and maintaining their vehicles.

To improve overall fleet management, the report includes recommendations to amend the Commonwealth's overall policies and procedures and change existing central processes. One of these recommendations includes either amending *Executive Order 20* or the Code of Virginia to provide guidelines for the oversight of non-passenger vehicles.

This review also tested some of the agencies that maintain a significant number of vehicles. We also recommended various changes in internal controls, policies, and procedures for the following agencies.

- Department of State Police
- Department of Corrections
- Virginia Polytechnic Institute and State University
- Department of Forestry
- Department of Game and Inland Fisheries
- Department of Conservation and Recreation
- Department of Mines, Minerals, and Energy

These recommendations should improve and maximize use of the Commonwealth's vehicles while strengthening the agencies and institutions control over agency-owned vehicles.

STATEWIDE SMALL PURCHASE CHARGE CARD PROGRAM

The Department of Accounts (Accounts) implemented the Small Purchase Charge Card (Purchase Card) program in 1996. This program provides an efficient and effective means to streamline the Commonwealth's purchasing process.

In performing our review, we found that Accounts has taken positive steps to improve controls over the purchase card program in response to our 2000 review of the program. In addition, Accounts has worked with the contractor, American Express (Amex), to streamline the monthly data exchange process. Currently, Amex provides automated billing statements and is working towards providing automated reconciliation and allocation of charges. Automating the reconciliation and charge allocation process will significantly increase program efficiencies.

In performing our review of Purchase Card program, we have identified several key issues.

- Mandated use of the Commonwealth's online purchasing system (eVA) has negated certain Purchase Card program efficiencies. As a result, some agencies are refusing to process Purchase Card transactions through eVA or choosing to purchase through eVA using means other than the Purchase Card.

In order to keep use of the Purchase Card program from decreasing and to preserve the original intentions of the program to reduce administrative time and paperwork, Accounts should work with the Department of General Services to consider the cost/benefit of requiring Purchase Card purchases to be executed through eVA and explore other ways in which to capture Purchase Card data in eVA's data warehouse for analysis and reporting purposes.

- Accounts should require the contractor to maximize purchasing details and expedite the availability of software that will allow agencies to automate their

reconciliation and allocation processes. These enhancements would streamline the reconciliations and allocation processes and would enhance monitoring and review of charge card purchases.

- Accounts should require the charge card contractor to comply with the contract and not process transactions for cancelled or expired cards or issue cards with variances and limits greater than the statewide allowed maximums.
- Accounts should consider implementing policies and procedures to mitigate inherent risks of the Purchase Card Program. However, Accounts must determine whether the benefits of implementing such policies and procedures outweigh the costs involved.
- Agency administrators should follow established policies and procedures and require cardholder supervisors to perform initial and annual cardholder analysis in writing for the Administrator to review and keep on file. Administrators should adjust limits and cancel cards based on results. An analysis is the only way to determine if cardholders have the appropriate limits or if a need still exists for a card.

SUMMARY OF REPORTS ISSUED

SUMMARY OF REPORTS ISSUED

The following reports on audit were released by this Office during the period *, 2004 through *, 2004. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

State Agencies and Institutions

Executive Departments

Administration

Virginia War Memorial Foundation for the year ended June 30, 2003

Commerce and Trade

Virginia Small Business Finance Authority for the year ended June 30, 2003

Education

Southwest Virginia Higher Education Center for the year ended June 30, 2003

Virginia Commission for the Arts for the year ended June 30, 2003

Colleges and Universities

Mary Washington College for the year ended June 30, 2003*

James Madison University for the year ended June 30, 2003

James Madison University Intercollegiate Athletic Programs for the year ended June 30, 2003

Longwood University for the year ended June 30, 2003

Old Dominion University for the year ended June 30, 2003

Virginia State University for the year ended June 30, 2003*

Natural Resources

Department of Conservation and Recreation for the year ended June 30, 2003

Potomac River Fisheries Commission for the year ended June 30, 2003

Public Safety

Virginia Correctional Enterprises, Department of Corrections for the period January 1, 2003 through June 30, 2003*

Department of Corrections and Virginia Parole Board for the year ended June 30, 2003*

Technology

Virginia Information Providers Network Authority for the year ended June 30, 2003*

Special Reports

Statewide Review of Agency-Owned Vehicles dated June 2004*
Commonwealth of Virginia Single Audit Report for the year ended June 30, 2003*
Report to the Joint Legislative Audit and Review Commission for the quarter January 1, 2004 through March 31, 2004
Secretary of Public Safety Budget Analysis for the year ended June 30, 2003
Small Purchase Charge Card Program, Follow-up Report dated April 2, 2004*

Clerks of the Circuit Courts

Cities:

City of Colonial Heights for the period April 1, 2003 through March 31, 2004
City of Hampton as of December 31, 2003
City of Petersburg for the period January 1, 2003 through March 31, 2004*
City of Portsmouth for the period October 1, 2002 through September 30, 2003
City of Newport News for the period April 1, 2003 through March 31, 2004
City of Norfolk for the period January 1, 2003 through December 31, 2003

Counties:

County of Bath for the period April 1, 2003 through March 31, 2004
County of Bedford for the period April 1, 2003 through March 31, 2004
County of Brunswick for the period January 1, 2003 through December 31, 2003
County of Buchanan April 1, 2003 through March 31, 2004*
County of Caroline for the period April 1, 2003 through March 31, 2004*
County of Charles City Court for the period January 1, 2003 through December 31, 2003*
County of Charlotte for the period April 1, 2003 through March 31, 2004
County of Fluvanna for the period April 1, 2003 through March 31, 2004
County of Fauquier for the period April 1, 2003 through March 31, 2004
County of Giles for the period March 1, 2003 through March 31, 2004*
County of Gloucester for the period January 1, 2003 through December 31, 2003
County of Henrico for the period January 1, 2003 through December 31, 2003
County of Henry for the period January 1, 2003 through December 31, 2003*
County of Isle of Wight for the period January 1, 2003 through December 31, 2003
County of King George for the period January 1, 2003 through December 31, 2003*
County of Louisa for the period January 1, 2003 through December 31, 2003*
County of Matthews for the period January 1, 2003 through December 31, 2003
County of Mecklenburg for the period July 1, 2002 through December 31, 2003
County of Montgomery for the period January 1, 2003 through December 31, 2003*
County of New Kent Turnover Audit as of January 30, 2004
County of New Kent as of April 9, 2004

County of Nottoway for the period October 1, 2002 through December 31, 2003*
County of Orange for the period January 1, 2003 through March 31, 2004
County of Pittsylvania for the period January 1, 2003 through December 31, 2003
County of Rockbridge for the period January 1, 2003 through December 31, 2003*
County of Rockingham for the period January 1, 2003 through December 31, 2003*
County of Russell for the period January 1, 2003 through December 31, 2003
County of Scott for the period January 1, 2003 through December 31, 2003*
County of Stafford for the period January 1, 2003 through March 31, 2004*
County of Surry for the period January 1, 2003 through December 31, 2003
County of Westmoreland for the period October 1, 2002 through December 31, 2003
County of Wise for the period April 1, 2003 through March 31, 2004
County of Wythe for the period January 1, 2003 through December 31, 2003*

General Receivers

County of Sussex General Receiver of the Circuit Court for the period ending June 30, 2003

